



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CLINTON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CLINTON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Clinton County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$300,346 from the prior fiscal year, resulting in a cash balance of \$538,369 as of June 30, 2000.

Report Comments:

- The Fiscal Court Should Provide Funding To The Sheriff's Office In The Amount Of \$53,814 For Calendar Year 1999
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$216,208 And Enter Into A Written Agreement To Protect Deposits
- Expenditures From The Road And Bridge Fund Should Be For Road Purposes Only
- Accurate Accounting Records Should Be Maintained For The Jail Canteen

Litigation:

- The Clinton County Fiscal Court has filed a lawsuit against the Clinton County Sheriff for partial nonpayment of his 1997 and 1998 taxes collected.
- The Clinton County Sheriff has filed a lawsuit against the Clinton County Fiscal Court for payment of his 1999 statutory maximum salary and benefits.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Charlene King, Clinton County Judge/Executive

Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Clinton County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Clinton County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Clinton County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of Clinton County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Charlene King, Clinton County Judge/Executive
Members of the Clinton County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 24, 2001 on our consideration of Clinton County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Fiscal Court Should Provide Funding To The Sheriff's Office In The Amount Of \$53,814 For Calendar Year 1999
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$216,208 And Enter Into A Written Agreement To Protect Deposits
- Expenditures From The Road And Bridge Fund Should Be For Road Purposes Only
- Accurate Accounting Records Should Be Maintained For The Jail Canteen

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Clinton County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 24, 2001

CLINTON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Charlene King	County Judge/Executive
Norman Dale Asberry	Magistrate
Ricky Craig	Magistrate
Alan Glidewell	Magistrate
James Polston	Magistrate
Ricky Savage	Magistrate
Gary Tallent	Magistrate

Other Elected Officials:

Wanda White	County Attorney
Gene Ferrill	Jailer
Jim Elmore	County Clerk
Ralph Groce	Circuit Court Clerk
Kay Riddle	Sheriff
Billy Joe Coop	Property Valuation Administrator
Steve Talbott	Coroner

Appointed Personnel:

Debbie Duvall	County Treasurer
Debbie Duvall	Occupational Tax Collector
Connie Branham	Finance Officer
Ronnie Phillips	Road Supervisor

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

CLINTON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:			
Cash	\$	72,441	
Road and Bridge Fund:			
Cash		266,631	
Due from General Fund (Note 6)		64,330	
Jail Fund:			
Cash		38,659	
Jail Canteen Receivable (Note 8)		3,384	
Local Government Economic Assistance Fund:			
Cash		20,627	
Community Development Block Grant-Learning Center Fund:			
Cash		1	
Disaster and Emergency Fund:			
Cash		1,980	
Occupational Tax Fund:			
Cash		137,843	
Payroll Revolving Account:			
Due From Other Funds (Note 9)		<u>1,397</u>	\$ 607,293

Special Revenue Fund Type

Forest Fire Fund:			
Cash		<u>187</u>	
Total Assets and Other Resources			<u>\$ 607,480</u>

The accompanying notes are an integral part of the financial statements.

CLINTON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Due to Road and Bridge Fund (Note 6)	\$	64,330	
Payroll Revolving Account		<u>1,397</u>	\$ 65,727

Fund Balances

Reserved:

General Fund Type

Community Development Block Grant-Learning Center Fund	\$	1	
Occupational Tax Fund		<u>137,843</u>	\$ 137,844

Special Revenue Fund Type

Forest Fire Fund			187
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Unreserved:

General Fund Type

General Fund	\$	8,111	
Road and Bridge Fund		330,961	
Jail Fund		42,043	
Local Government Economic Assistance Fund		20,627	
Disaster and Emergency Services Fund		<u>1,980</u>	<u>403,722</u>
Total Liabilities and Fund Balances			<u>\$ 607,480</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CLINTON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,099,162	\$ 775,418	\$ 736,820	\$ 81,904
Transfers In	506,496	308,996	50,000	140,000
Total Cash Receipts	<u>\$ 2,605,658</u>	<u>\$ 1,084,414</u>	<u>\$ 786,820</u>	<u>\$ 221,904</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,798,816	\$ 979,083	\$ 492,028	\$ 203,941
Transfers Out	506,496	50,000	158,996	
Total Cash Disbursements	<u>\$ 2,305,312</u>	<u>\$ 1,029,083</u>	<u>\$ 651,024</u>	<u>\$ 203,941</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 300,346	\$ 55,331	\$ 135,796	\$ 17,963
Cash Balance - July 1, 1999	<u>238,023</u>	<u>17,110</u>	<u>130,835</u>	<u>20,696</u>
Cash Balance - June 30, 2000	<u><u>\$ 538,369</u></u>	<u><u>\$ 72,441</u></u>	<u><u>\$ 266,631</u></u>	<u><u>\$ 38,659</u></u>

The accompanying notes are an integral part of the financial statements.

CLINTON COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2000
(Continued)

General Fund Type				Special Revenue Fund Type
Local Government Economic Assistance Fund	Community Development Block Grant - Learning Center Fund	Disaster and Emergency Fund	Occupational Tax Fund	Forest Fire Fund
\$ 46,349	\$ 6,269	\$ 5,516 7,000	\$ 445,996	\$ 890 500
\$ 46,349	\$ 6,269	\$ 12,516	\$ 445,996	\$ 1,390
\$ 87,032	\$ 6,843	\$ 11,546	\$ 17,057 297,500	\$ 1,286
\$ 87,032	\$ 6,843	\$ 11,546	\$ 314,557	\$ 1,286
\$ (40,683) 61,310	\$ (574) 575	\$ 970 1,010	\$ 131,439 6,404	\$ 104 83
\$ 20,627	\$ 1	\$ 1,980	\$ 137,843	\$ 187

The accompanying notes are an integral part of the financial statements.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Clinton County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Clinton County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Clinton County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Clinton County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Clinton County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Community Development Block Grant - Learning Center Fund, Disaster and Emergency Fund, and the Occupational Tax Fund.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Forest Fire Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Clinton County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Clinton County Fiscal Court:

Clinton County Industrial Development Authority
Clinton County Extension District
Clinton County Public Library District

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. The following is a joint venture of the Clinton County Fiscal Court:

Albany - Clinton County Recreation Park Board

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$216,208 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2000.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county's agent in the county's name	\$ 100,000
Uncollateralized and uninsured	<u>216,208</u>
Total	<u><u>\$ 316,208</u></u>

Note 4. Operating Lease

The fiscal court entered into an operating lease to purchase a 1999 Ford Ambulance. The lease began March 24, 1999 and ends April 4, 2004. The total cost of this lease was 60,039 including principal and interest.

<u>Fiscal Year Ending</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2001	\$ 1,443	\$ 7,134
June 30, 2002	1,431	10,005
June 30, 2003	845	10,590
June 30, 2004	<u>272</u>	<u>11,164</u>
Totals	<u><u>\$ 3,991</u></u>	<u><u>\$ 38,893</u></u>

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Insurance

For the fiscal year ended June 30, 2000, Clinton County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 6. General Fund Transfer Due To Road And Bridge Fund

Our prior year audit stated that the General Fund owed the Road and Bridge Fund \$114,330 as of June 30, 1999. As of June 30, 2000, \$50,000 has been repaid. This leaves a balance of \$64,330 due the Road and Bridge Fund.

Note 7. Litigation

The Clinton County Fiscal Court has filed a lawsuit against the Clinton County Sheriff for partial nonpayment of his 1997 and 1998 taxes collected. This lawsuit is still pending; therefore, no possible outcome can be predicted at this time. However, if the court should rule in favor of the fiscal court it is possible that it will receive additional revenue from the Sheriff in the future.

The Clinton County Sheriff has filed a lawsuit against the Clinton County Fiscal Court for payment of his 1999 statutory maximum salary and benefits. This lawsuit is still pending; therefore, no possible outcome can be predicted. However, if the court should rule against the fiscal court it is possible that it will have to pay the Sheriff his maximum salary and benefits for that year.

Note 8. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Clinton County Jail Canteen Fund had income of \$31,900, less cost of goods sold of \$29,287, leaving net income at \$2,614 as of June 30, 2000. All profit expenditures were for the benefit and/or recreation of the inmates.

The Clinton County jail canteen operations are not fully in compliance with KRS 441.135. Specific deficiencies of the jail canteen operations are noted within the comments and recommendations section of this audit.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CLINTON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 600,010	\$ 775,418	\$ 175,408
Road and Bridge Fund	729,977	736,820	6,843
Jail Fund	78,524	81,904	3,380
Local Government Economic Assistance Fund	46,700	46,349	(351)
Community Development Block Grant- Learning Center Fund	513,861	6,269	(507,592)
Disaster and Emergency Service Fund	4,009	5,516	1,507
Occupational Tax Fund	445,000	445,996	996
<u>Special Revenue Fund Type</u>			
Forest Fire Fund	1,000	890	(110)
Totals	<u>\$ 2,419,081</u>	<u>\$ 2,099,162</u>	<u>\$ (319,919)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,419,081
Add: Budgeted Prior Year Surplus			<u>243,181</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,662,262</u>

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SCHEDULE OF OPERATING REVENUE

CLINTON COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

	Totals (Memorandum Only)	GOVERNMENTAL FUND TYPES	
		General Fund Type	Special Revenue Fund Type
REVENUE:			
Taxes	\$ 628,041	\$ 627,151	\$ 890
In Lieu Tax Payments	78,457	78,457	
Excess Fees	12,129	12,129	
License and Permits	22,368	22,368	
Intergovernmental Revenues	910,080	910,080	
Charges for Services	389,642	389,642	
Miscellaneous Revenues	41,214	41,214	
Interest Earned	17,231	17,231	
Total Operating Revenue	<u>\$ 2,099,162</u>	<u>\$ 2,098,272</u>	<u>\$ 890</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CLINTON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 400,948	\$ 381,560	\$ 19,388
Protection to Persons and Property	684,824	643,204	41,620
General Health and Sanitation	33,634	30,355	3,279
Social Services	3,665	3,165	500
Recreation and Culture	585,203	58,493	526,710
Roads	639,219	415,331	223,888
Capital Projects	6,977	6,596	381
Administration	306,292	258,826	47,466
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 2,660,762</u>	<u>\$ 1,797,530</u>	<u>\$ 863,232</u>
Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	<u>\$ 1,500</u>	<u>\$ 1,286</u>	<u>\$ 214</u>
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 1,500</u>	<u>\$ 1,286</u>	<u>\$ 214</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
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Honorable Charlene King, Clinton County Judge/Executive
Members of the Clinton County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Clinton County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated May 24, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clinton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Fiscal Court Should Provide Funding To The Sheriff's Office In The Amount Of \$53,814 For Calendar Year 1999
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$216,208 And Enter Into A Written Agreement To Protect Deposits.
- Expenditures From the Road And Bridge Fund Should Be For Road Purposes Only
- Accurate Accounting Records Should Be Maintained For The Jail Canteen

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clinton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 24, 2001

COMMENTS AND RECOMMENDATIONS

CLINTON COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

NONCOMPLIANCES

- 1) The Fiscal Court Should Provide Funding To The Sheriff's Office In The Amount Of \$53,814 For Calendar Year 1999
-

During calendar year 1999, the Sheriff's office fee account expended \$42,481 more for allowable expenditures than it received in fees and other revenue receipts. This fiscal condition prevented the Sheriff from receiving his full statutory maximum salary in accordance with the salary schedule set out in KRS 64.5275. KRS 64.535 states that "[t]he . . . sheriff shall receive a monthly salary of one-twelfth (1/12) of the amount indicated by the salary schedule in KRS 64.5275." This statute mandates that the Sheriff is to receive his statutory maximum salary, even if his office fails to generate sufficient fees and other revenues to cover all allowable expenses of his office, including the expense of the sheriff's maximum salary as set out in the salary schedule in KRS 64.5275. Thus, because the Sheriff's office has a revenue shortfall and is unable to pay all allowable expenses, including the allowable expense of the Sheriff's maximum salary, out of the fees and other revenues generated by his office, it is the responsibility of the fiscal court to provide funding for the Sheriff's 1999 statutory maximum salary. The Clinton County Fiscal Court should fund the Sheriff's statutory maximum salary amount for calendar year 1999 by covering the Sheriff's office fee account revenue shortfall of \$42,481.

In addition, OAG 68-51 and OAG 79-433 state that the fiscal court is to pay the employer's (i.e., the Sheriff's office) share of Social Security and unemployment insurance. Therefore, the Clinton County Fiscal Court should reimburse the Clinton County Sheriff's office \$10,682 and \$651 for expenditures during calendar year 1999 for the employer's share of social security and unemployment insurance, respectively, for a total of \$11,333.

Based on the above information, we recommend that the fiscal court should remit \$53,814 (\$42,481 plus \$11,333) to the Sheriff's office fee account for calendar year 1999.

County Judge/Executive Charlene King's Response:

The Clinton County Fiscal Court insists it has provided appropriate and required funding to the Sheriff's office. The proper constitutional interpretation of KRS 64.5275 and related statutes is among the issues currently being litigated between the Fiscal Court and Sheriff's office.

CLINTON COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 2000
 (Continued)

NONCOMPLIANCES (Continued)

- 2) The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$216,208 And Enter Into A Written Agreement To Protect Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$216,208 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral.

County Judge/Executive Charlene King's Response:

This was an oversight and has been corrected.

- 3) Expenditures From The Road And Bridge Fund Should Be For Road Purposes Only

The General Fund owes the Road and Bridge Fund \$64,330. The Fiscal Court's prior year audit stated that the General Fund owed the Road and Bridge Fund \$114,330 as of June 30, 1999. As of June 30, 2000, \$50,000 has been repaid. This leaves a balance of \$64,330.

Total Prior Year (Current Administration)	\$ 44,515
Total Prior Year (Prior Administration)	69,815
Total Paid (Current Administration)	(50,000)
 Total General Fund Amount Due Road and Bridge Fund	 \$ 64,330

We recommend that Clinton County Fiscal Court transfer the balance of \$64,330 from the General Fund to the Road and Bridge Fund as soon as possible.

County Judge/Executive Charlene King's Response:

An additional \$25,000 was paid on June 21, 2001 from the General Fund to the Road Fund. The balance will be paid as funds become available. Current Administration: \$44,515 was mostly insurance and Treasurer Dallas Sidwell taking too much from the Road Fund for Administration.

CLINTON COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2000
(Continued)

NONCOMPLIANCES (Continued)

4) Accurate Accounting Records Should Be Maintained For The Jail Canteen

Our audit revealed that the required accounting records were not accurately maintained for the Jail Canteen Fund. The jailer did not prepare a receipts ledger or daily check out sheets; did not make daily deposits; only prepared two months of a disbursements ledger; did not perform any monthly bank reconciliations; did not have a listing of the amounts owed prisoners; and did not prepare or submit an annual canteen report for FY 2000.

KRS 441.135 states, “[t]he jailer may maintain a canteen fund for the benefit of prisoners lodged in the jail and may assign such jail employees and prisoners to operate the canteen as are necessary for efficient operation. All profits from the canteen shall be used for the benefit or recreation of the prisoners. The jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account.”

In addition, the Instructional Guide For County Budget Preparation And State Local Finance Officer Policy Manual lists minimum accounting and reporting standards as prescribed by the state local finance officer pursuant to KRS 68.210 and states that these standards are to be utilized by county jailers for jail canteen funds. These standards require that daily checkout sheets be prepared and that daily deposits be made. They also state that a maximum of fifty dollars shall be used for start-up money for the next business day. Receipts should be posted to the jail Canteen receipts journal on a daily basis and the total amount category should agree to the amount deposited line on the daily check out sheet. Checks should be posted to the jail Canteen disbursements journal and checks should be issued for all expenditures made. We recommend that the jailer comply with these minimum accounting and reporting standards.

Clinton County Jailer Gene Ferrill's Response:

The Clinton County Jail is now doing what you required for the canteen records. We have prepared statements for the commissary (such as) Jail Commissary Receipts Journal, Jail Commissary Summary, Reconciliation Sheet, and Daily Check - Out Sheet. Also, we are using a receipt book when the money is brought in to the inmates.

PRIOR YEAR FINDINGS

In the prior year audit report, we reported that “Expenditures From The Road And Bridge Fund Should Be For Road Purposes Only”. We recommended that the fiscal court repay monies from the General Fund to the Road and Bridge Fund. This finding has been partially corrected and the comment has been repeated for the current year.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

CLINTON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

Appendix A


CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS


CLINTON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Clinton County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Charlene King
County Judge/Executive



Debbie Duvall
County Treasurer